



PRESS RELEASE

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FIVE DEBT COLLECTORS INDICTED FOR BANK FRAUD

PHOENIX, ARIZONA -- The United States Attorney's Office for the District of Arizona announced that on March 17, 2004, a federal grand jury at Phoenix, Arizona, returned a 37 count indictment alleging bank fraud, student loan fraud and conspiracy against Robert C. Hazlett, age 43, Suzanne Lisa Prather, age 43, James Joseph Stevens, age 50, David Roy Honderd, age 33, and Gregory Allen Evans, age 41, all residents of the metropolitan Phoenix area.

The indictment alleges that from April 1999 to June 2000, Robert C. Hazlett was the president and owner of Valley Acceptance Corporation, a debt collection agency located at 1100 W. Clarendon Ave, Phoenix, which specialized in the collection of defaulted student loans. Prather, Stevens, Honderd and Evans were employees of Valley Acceptance Corp. and are alleged to have conspired with Hazlett to submit to SunTrust Bank of Richmond, Virginia, fraudulent applications for consolidated student loans which generated in excess of \$1 million in commissions for themselves. The scheme as alleged in the indictment was to misrepresent that the applicants were in a repayment status on their prior loans rather than listing their default status. The defendants are also alleged to have falsely indicated that the applicants had made six payments as to their prior loans so that they would qualify for new bank loans that were federally insured by the United

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States Department of Education. The indictment lists that 537 fraudulent applications were submitted and approved by the bank for loans with a total in excess of \$3.6 million. The indictment states that the borrowers subsequently defaulted on 213 of the fraudulently obtained loans causing a loss to the bank in excess of \$1.4 million which was ultimately paid through insurance from the Department of Education. The defendants have been summoned for an initial appearance and arraignment on March 31, 2004, before a United States Magistrate Judge.

Education Inspector General John P. Higgins, Jr., commended this joint effort to protect the integrity of federal higher education programs. The federal indictment charges the defendants with violating Title 18 of the United States Code, Section 1344, Bank Fraud, and Section 371, Conspiracy, as well as violating Title 20 of the United States Code, Section 1097(a), Student Loan Fraud.

A conviction for Bank Fraud carries a maximum penalty of 30 years imprisonment, a \$1,000,000.00 fine or both. A conviction for Conspiracy or Student Loan Fraud carries a maximum penalty of 5 years imprisonment, a \$250,000.00 fine or both.

An indictment is simply the method by which a person is charged with criminal activity and raises no inference of guilt. An individual is presumed innocent until competent evidence is presented to a jury that establishes guilt beyond a reasonable doubt.

The investigation preceding the indictment was conducted by Special Agents from the Federal Bureau of Investigation and the Office of the Inspector General, United States Department of Education.

The prosecution is being handled by Richard I. Mesh, Assistant United States Attorney, District of Arizona, Phoenix, Arizona.

CASE NUMBER: CR-04-0276-PHX
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